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UNITED STATES
INTELLIGENCE
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National Intelligence Bulletin

State Dept. review completed

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27 December 1974

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Approved For Release 2007/03/13 : CIA-RDP79T00975A027300010016-1

Approved For Release 2007/03/13 : CIA-RDP79T00975A027300010016-1

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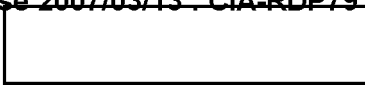
EGYPT

Armed Forces Chief of Staff Lt. Gen. Abd al-Ghani Gamasy was appointed yesterday to succeed Egypt's war minister, Field Marshal Ahmad Ismail Ali. Ismail died Wednesday in London, where he had been undergoing medical treatment.

Gamasy had been rumored as the likely successor since it became known last summer that Ismail was suffering from cancer.

Maj. Gen. Muhammad Ali Fahmi, commander of Egypt's air defense forces, has been prominently featured with Ismail in the Cairo press lately, and he could be Gamasy's replacement as chief of staff.

Although Gamasy is somewhat more outspoken and independent than Ismail, his appointment is not likely to bring a change in Egyptian military policy. That will continue to be the responsibility of President Sadat.



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ISRAEL

Prime Minister Rabin has brought his public position on peace closer to that of the hard-line elements in his party by reaffirming Israel's refusal to withdraw completely from the Golan Heights under any circumstances.

In a speech to a Labor Party meeting on December 25, Rabin said that he would not seek peace at any price and that he would not agree to withdrawal from the Golan, even if it "is required to obtain postponement of war." Rabin has studiously avoided commenting in recent months on prospects for any further Israeli-Syrian disengagement, although he has hinted obliquely in the past that he would consider negotiating an interim agreement with Syria.

Rabin apparently was goaded into his latest statement by Moshe Dayan's barbed comment last week that "a policy of avoiding war at all costs" would mean coming down from the Golan Heights. The US embassy in Tel Aviv comments that Rabin's compulsion to respond to Dayan attests to the constraining influence that Dayan and other members of the "old guard" still exercise on official policy.

Even if Rabin intended his statement merely as a domestic fence-mending gesture, it reinforces the impression that at present Israel regards further military disengagement with Egypt as the only avenue open in additional step-by-step negotiations. The Syrians can be expected to use the statement to press Egyptian President Sadat more strongly not to proceed with unilateral talks with Israel.

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FRANCE--IRAN

France has agreed to support Iran's bid for a preferential trading arrangement with the EC, according to the communiqué issued following French Prime Minister Chirac's visit to Iran last weekend.

The decision marks a change in French policy and could provide the impetus necessary to conclude an agreement between the EC and Iran next year. The decision reportedly was made after "very difficult discussions," in which the Iranians exerted strong pressure. In the communiqué following the recent visit of Italian President Leone to Iran, Italy also noted its support for a new EC economic agreement with Iran, but the Italians apparently resisted any public commitment to a preferential arrangement.

Denmark has been pressing hard among the Nine for favorable treatment for Iran, but so far it has met considerable resistance. Several EC members have expressed fear that Arab oil producers would resent any preferential agreement granted Iran and would seek agreements on similar terms. The Danes hope that their efforts in the EC on Iran's behalf will create an atmosphere favorable to expanded bilateral relations.

EC members have also been aware of strong US opposition to a preferential agreement. The EC Commission had in fact "pledged" that the community would not expand its Mediterranean preferential agreements to include peripheral countries such as Iran. The French, defending their commitment to Iran, now imply that the Commission had no authority to make such a pledge.

West Germany may support France if Bonn's specific request for duty-free entry of refined Iranian petroleum products into the EC is met. Iran has agreed to award West Germany a contract to construct a large petroleum refinery, contingent upon Bonn's efforts to secure concessions on preferential treatment. West Germany has

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been seeking this joint project as part of its drive to develop secure and diversified sources of oil. The Commission and most of Germany's partners have been opposing preferential treatment for Iranian oil products, in part because of the difficulty in explaining such treatment in GATT, but also because of an anticipated excess in refinery capacity within the community by 1978.

Bilateral French negotiations with Iran parallel high-powered approaches to Arab countries over the past few months as Paris strives to ensure a steady supply of oil and to redress the substantial deficit in the balance of trade with the oil-producing countries. Latest press reports indicate that Chirac returned with \$7.7 billion in industrial orders--\$4.4 billion more than he had expected.

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FRANCE

Former French foreign minister Michel Jobert announced on December 24 the official birth of his new political movement--the Movement of Democrats.

The movement's structure and program will not be formulated until early in the new year, but Jobert has already declared that his group will not be tied down by "doctrines or ideologies." The movement will adapt to the political situation "as it develops."

Jobert's objective, according to Paris radio, is the next legislative election, to be held sometime before the end of 1978. Even a splinter group winning no more than 3 or 4 percent of the vote would give Jobert a disproportionate influence in the delicate balance that now exists in France between right and left.

Jobert is fishing in left-center waters with his liberal criticism of domestic policies, but his strongest appeal has been to Gaullist militants, who identify with his emphasis on French independence and dignity and his sniping at President Giscard. The Young Gaullists--mavericks from the parent party--have already declared their sympathy for Jobert, as have many left-leaning Gaullist deputies and officials. Defeated Gaullist presidential candidate Jacques Chaban-Delmas reportedly is in contact with the former foreign minister and has had kind words to say about him.

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The recent takeover of the Gaullist party by Prime Minister Chirac has added to strains within that party. The party's national congress, scheduled for late February, may turn into a showdown between tame Gaullists who support Giscard and disgruntled hard-liners and militants. Jobert stands to benefit from any schism.

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Ever since Jobert announced on June 11 his desire to "loosen up French political life," it has been widely assumed that he would form a party to give himself a political base. Over the summer his criticism of Giscard's policies grew increasingly sharp and gradually expanded from foreign policy to include economic issues. Jobert also began a circuit-riding tour to address middle-class audiences. In the wake of these talks, local businessmen and students have formed "committees of support" for the former foreign minister.

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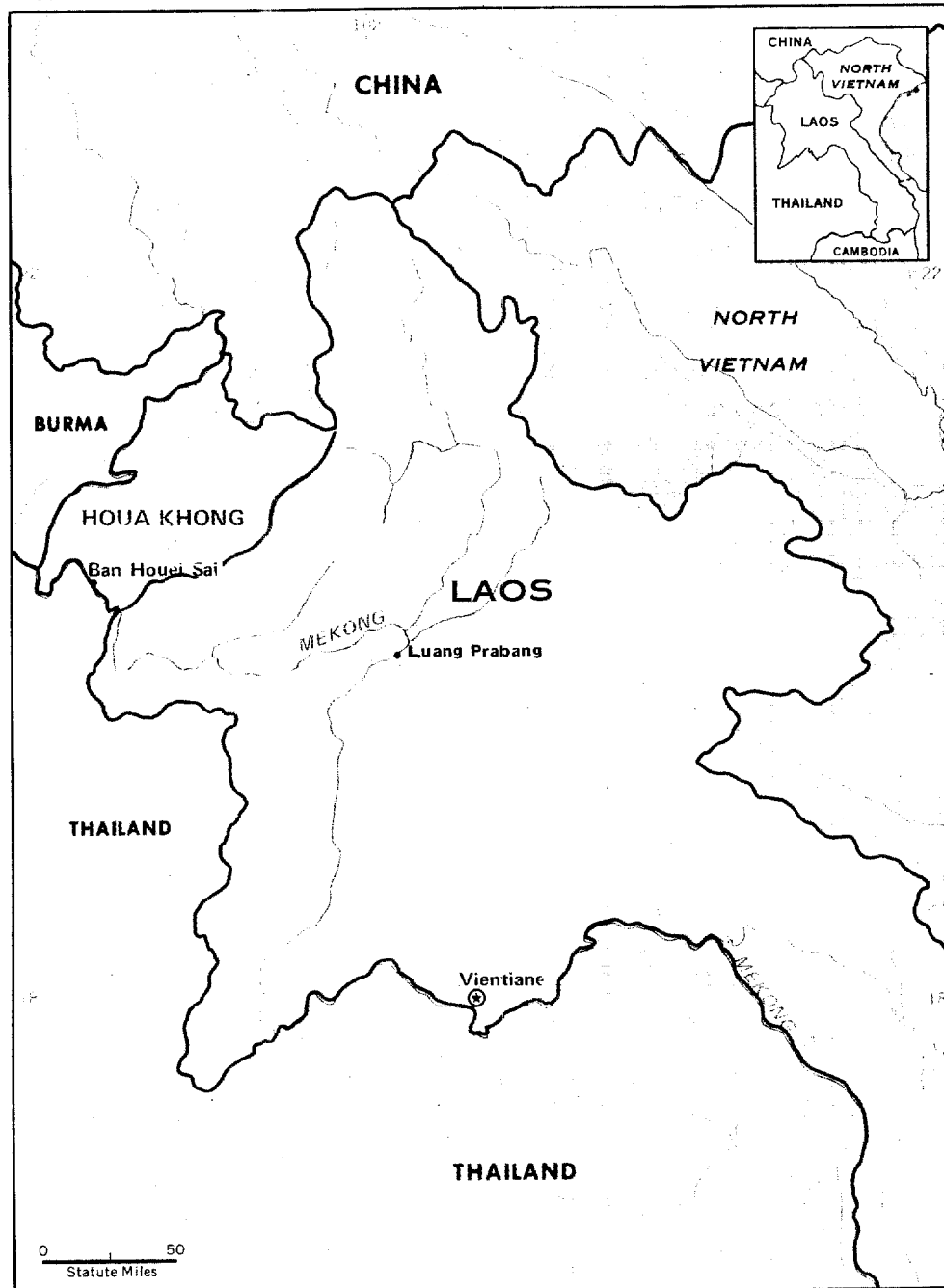
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Northern Laos



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LAOS

Troops from a former non-communist irregular battalion are continuing to occupy the Mekong River border town of Ban Houei Sai and several nearby villages in the remote northwestern Lao province of Houa Khong. This is the second time in less than three months that disgruntled soldiers have forcibly occupied the province capital.

In addition to the economic grievances--salaries, rice rations, and corrupt commanders--that prompted their earlier seizure of Ban Houei Sai for three days in early October, the irregulars this time are making political demands that suggest Pathet Lao instigation and involvement. The new demands include:

- government acceptance of Lao Communist leader Souphanouvong's 18-point national political program;

- dissolution of the dormant, rightist-dominated National Assembly (a move long sought by the Pathet Lao) as well as repeal of all laws passed by the assembly, including the ban on opium cultivation;

- "neutralization" of Ban Houei Sai and the rest of Houa Khong Province. This call probably envisages the kind of joint Lao army - Pathet Lao military presence that exists now in Vientiane and Luang Prabang.

There are numerous reports that some Pathet Lao troops, along with a group of radical student activists, are helping the irregulars occupy Ban Houei Sai. These reports are plausible, as forces of both sides in this area belong to the same Lao Theung tribe and are stationed opposite one another at a cease-fire demarcation point close to Ban Houei Sai. The opposing forces co-exist very compatibly, and the Pathet Lao lent moral and propaganda support to the irregulars' previous move against the town.

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In a meeting yesterday with US Ambassador Whitehouse, Prime Minister Souvanna seemed well informed about the situation at Ban Houei Sai. He placed much of the blame for the current problem on non-communist Defense Minister Sisouk na Champassak for failing to redress the earlier grievances of the irregulars--particularly their demand that the notoriously corrupt and incompetent local Lao army commander be removed.

The Prime Minister said he has ordered the commander's immediate cashiering, but it is unlikely that this belated action will, by itself, ease the present difficulties.

For the moment at least, Souvanna seems to favor the negotiating tack, and his earlier orders to the Royal Lao Army to reoccupy Ban Houei Sai have apparently been put aside. The Prime Minister told Ambassador Whitehouse that he planned to dispatch non-communist Interior Minister Pheng Phongsavan to negotiate with the Ban Houei Sai dissidents on his behalf.

There are reports, however, that the rebels have refused to meet with Pheng. Instead, they are said to have agreed to meet with a joint delegation of communist and non-communist officials that is to arrive in Ban Houei Sai today. The delegation includes representatives of the Joint Central Commission--the coalition government organization responsible for maintaining peace in the kingdom.

If the Pathet Lao were indeed actively stirring up the situation in Ban Houei Sai, their objective would seem to be the fairly narrow one of exploiting the grievances of the local troops and embarrassing the Royal Lao Army, rather than seriously attempting to undermine the 1973 Lao peace accords.

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